

## Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC 8669

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

AMEMBASSY ROME

USMISSION EC BRUSSELS

C O N F I D E N T I A L LONDON 01696

E.O. 11652: XGDS-1

TAGS: PFOR, EGEN, EEC, UK

SUBJECT: WILSON/SCHMIDT BILATERAL TALKS, FEBRUARY 6, 7

REF: BONN 01678

1. HEAD OF WESTERN EUROPE DEPARTMENT, FCO (DAVID GOODALL), TOLD EMBASSY OFFICER FEBRUARY 2 THAT UPCOMING VISIT TO LONDON BY SCHMIDT REPRESENTS FOLLOW-ON TO PERIODIC EFFORTS FOR UK AND FRG LEADERS TO MEET INFORMALLY ABOUT TWICE A YEAR.

2. TIMING OF CURRENT VISIT AROSE, HOWEVER, BECAUSE OF INVITATION TO SCHMIDT TO ADDRESS ANNIVERSARY DINNER OF FOREIGN AFFAIRS CLUB IN LONDON. THIS ORGANIZATION, ACCORDING TO GOODALL, IS PRESTIGIOUS DINNER CLUB OF PROMINENT BRITISH PUBLIC FIGURES (DENNIS HEALEY IS CONFIDENTIAL

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MEMBER OF THE BOARD OF THIS CLUB). INVITATION TO SCHMIDT

WAS HANDLED SOME MONTHS AGO BY LORD CARRINGTON, FORMER CONSERVATIVE MINISTER OF DEFENSE, WHO IS ACTIVE IN THE CLUB. INVITATION WAS OPEN WITH DATE TO BE SET BY SCHMIDT. WHEN WILSON LEARNED OF SCHMIDT'S INTEREST IN ADDRESSING THE CLUB, HE SUGGESTED SCHMIDT EXPAND HIS VISIT TO LONDON FOR BILATERAL TALKS AT CHEQUERS. SCHMIDT ARRIVES IN THE LATE AFTERNOON, FEBRUARY 6, FOR DINNER AND SPEECH THAT EVENING, AND CHEQUERS MEETINGS WILL BE FEBRUARY 7 WITH SCHMIDT DEPARTURE FOR GERMANY LATE AFTERNOON. FOREIGN MINISTER GENSCHER WILL ARRIVE MORNING OF FEBRUARY 7 TO PARTICIPATE IN THE TALKS.

3. THERE IS, ACCORDING TO GOODALL, NO AGENDA FOR THE TALKS, THOUGH FCO HAS PREPARED A NUMBER OF BRIEFING PAPERS FOR WILSON. GOODALL SAID WILSON WILL UNDOUBTEDLY WISH TO SPEND A GOOD DEAL OF TIME ON INTERNATIONAL ECONOMIC SITUATION, PARTICULARLY HIGHLIGHTING IMPROVEMENT IN STATE OF BRITISH ECONOMY.

4. WILSON WILL ALSO MAKE A POINT OF STRESSING BRITISH COMMITMENT TO MAINTAIN ITS NATO CONTRIBUTION, PARTICULARLY FOLLOWING HEAVY MEDIA SPECULATION ON UPCOMING DEFENSE CUTS. WILSON IS ALSO EXPECTED TO DISCUSS OFFSET ARRANGEMENTS WITH SCHMIDT SINCE ANGLO/GERMAN OFFSET AGREEMENT EXPIRES MARCH 31. WHILE WILSON IS NOT EXPECTED TO GET INTO DETAILED DISCUSSIONS ON OFFSET, BRITISH WILL BE TRYING TO GET GERMANS TO AGREE TO INCREASED ANNUAL PAYMENTS "CONSIDERABLY LARGER" THAN PRESENT 20 MILLION POUNDS ANNUAL PAYMENT. (BRITISH HAVE APPARENTLY NOT GOTTEN ANYWHERE IN PRELIMINARY DISCUSSIONS WITH GERMAN DEFENSE COLLEAGUES ON OFFSET SINCE SCHMIDT REPORTEDLY HANDLES ALL QUESTIONS LARGE AND SMALL RELATED TO OFFSET.)

5. GOODALL SAID GERMANS HAVE BEEN INFORMED BRITISH WISH TO DISCUSS OFFSET. BRITISH EXPECT THAT THE MOST WHICH MIGHT BE ACHIEVED IN THE CHEQUERS TALKS WOULD BE AN UNDERSTANDING ON THE PARAMETERS OF A POSSIBLE OFFSET AGREEMENT WHICH WOULD PERMIT BRITISH AND GERMAN NEGOTIATORS TO MOVE IN THE DIRECTION OF A NEW AGREEMENT.  
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GOODALL SAID FCO EXPECTS SCHMIDT TO BE "TOUGH" IN THIS RESPECT, AND DCO IS NOT SURE HOW FAR WILSON MAY BE ABLE TO MOVE SCHMIDT.

6. CONVERSATIONS LIKELY WILL INCLUDE COMMUNITY AFFAIRS, TINDEMANS REPORT AND OTHER MORE GENERALIZED TOPICS. THERE WILL BE "4 EYES CONVERSATION" BETWEEN SCHMIDT AND WILSON, A SIMILAR EXCHANGE BETWEEN CALLAGHAN AND

GENSCHER AND A LARGER SESSION INCLUDING OTHER BRITISH  
OFFICIALS BUT NOT SECRETARY OF DEFENSE MASON.

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